

Taymouth Township
Saginaw County
State of Michigan

Audited Financial Statements

Year ended June 30, 2004

Township Officials

Supervisor	Douglas James
Clerk	Gail Basner
Treasurer	Carole Konesko
Trustee	Larry Smith
Trustee	Aaron Dodak

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Taymouth Township	County Saginaw
Audit Date 6/30/04	Opinion Date 8/9/04	Date Accountant Report Submitted to State: 3/31/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Andrews Hooper & Pavlik, P.L.C.			
Street Address 5300 Gratiot	City Saginaw	State MI	ZIP 46803
Accountant's Signature <i>Dianne M. Pavlik, CPA</i>		Date 3/30/05	

Taymouth Township
Saginaw County
State of Michigan

Audited Financial Statements

Year ended June 30, 2004

Table of Contents

Report of Independent Auditors	1
Management's Discussion and Analysis	3
Government Wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	11
Reconciliaiton of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Net Assets – Proprietary Fund	13
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	14
Statement of Cash Flows – Proprietary Fund	15
Notes to Financial Statements.....	16
Required Supplemental Information	
General Fund – Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	30
General Fund – Schedule of General Fund Expenditures.....	31
Trash Fund – Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	32
Other Supplemental Information	
Special Revenue Funds – Combining Balance Sheet	33
Special Revenue Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances	34
Statement of Changes in Assets and Liabilities – Current Tax Collections Fund	35
Detail of Indebtedness.....	36



ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Report of Independent Auditors

To the Township Board
Taymouth Township
Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Taymouth Township, Saginaw County, Michigan (Township), as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Taymouth Township, Saginaw County, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, Taymouth Township, Saginaw County, Michigan has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Taymouth Township, Saginaw County, Michigan. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Andrews Hooper & Pavlik P.L.C.

Bay City, Michigan
August 9, 2004

This section of the Township of Taymouth's annual financial report presents our discussion of Taymouth Township's financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the Township's financial statements.

Overview

The following are the most significant financial highlights for the year ended June 30, 2004. State-shared revenue, the Township's major revenue source for the General Fund, was reduced by the State of Michigan by approximately \$25,000. Having anticipated this, the initial budget was established at a rate of 10 percent less than the prior year. Interest income was considerably less than the prior fiscal years. As a result of conscientious spending, the Township's revenue was approximately \$102,000 over the expenses incurred.

The 2004 financial statements for Taymouth Township follow a different format than in previous years. The annual report has been changed to comply with implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting to measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The Statement of Net Assets and the Statement of Activities distinguish functions of the Township that are primarily supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, and trash pick-up. The business-type activities of the Township include water services.

The Fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fund financial statements can be divided into three categories including governmental funds, proprietary funds, and fiduciary funds. The fiduciary fund statements provide information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

The Township as a Whole

For the fiscal year ended June 30, 2004, assets exceeded liabilities by \$5,062,189. A large portion of the Township's net assets (54%) reflects its investment in capital assets (i.e. land, buildings, vehicles, equipment and water lines), less any related debt used to acquire those assets that is still outstanding. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities

The Township's total governmental revenues were approximately \$910,000, the largest portion of which is from state-shared revenue. The second largest source of revenue is derived from tapping fees. The only operational landfill in Saginaw County is located in the Township. A host agreement between the Township and Waste Management bases these fees on the amount of refuse received at People's Landfill.

The Township incurred expenses of approximately \$820,000 during the year. The largest expenses were for road and bridge maintenance, operation of the fire department and trash collection expense. The township no longer contracts for police services.

Business-type Activities

The Township's business-type activities consist of the Water Fund. Water is provided to approximately 40 percent of the Township's residents. Water is purchased from the City of Saginaw at a price controlled by the City. The cost is passed to each individual customer. In the year ended June 30, 2004, the Water Fund refunded water bonds Phases I-IV with a total outstanding debt of \$1,565,000 and replaced them with a consolidated bond issuance of \$965,000, lowering the debt for those bonds by \$600,000.

The Township's Funds

Taymouth Township's funds for 2003-2004 are the same as in the prior fiscal year and include the General Fund, Library Fund, Park Fund, Trash Fund and Water Fund. These funds were created by the Township board to manage money for specific purposes as well as to show accountability for assessments collected as part of the property taxes.

The General Fund is the chief operating fund of the Township and pays for most of the Township's governmental services. The most significant expenses are for road and bridge maintenance and replacement having spent just over \$100,000 this fiscal year. Roads and bridges are controlled by the Saginaw County Road Commission.

The Trash Fund is a special revenue fund and is a major fund for the year ended June 30, 2004. All expenses for this fund are considered trash collection expense. Revenues for the Trash Fund are derived from taxes.

General Fund Budgetary Highlights

Throughout the year, the Township Board made adjustments to the budget. There were no significant adjustments needed, the cost of Workman's Compensation and Insurance rose slightly as did utility costs. Overall, the Township managed to increase the fund balance of the General Fund by approximately \$102,000.

Capital Asset and Debt Administration

At June 30, 2004, the Township had \$2,716,004 invested in capital assets, including building, land, fire equipment, and water lines, net of related debt.

The Township has no outstanding debt, other than that in the Water Fund.

The following table shows, in a condensed format, the net assets as of June 30, 2004. A comparative analysis will be provided in future years when prior year information is available.

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 959,166	\$1,576,003	\$2,535,169
Capital assets - net	301,748	4,309,256	4,611,004
Total assets	1,260,914	5,885,259	7,146,173
Current and other liabilities	33,042	155,942	188,984
Noncurrent liabilities		1,895,000	1,895,000
Total liabilities	33,042	2,050,942	2,083,984
Net assets:			
Invested in capital assets, net of related debt	301,748	2,269,256	2,571,004
Unrestricted	926,124	1,565,061	2,491,185
Total net assets	\$1,227,872	\$3,834,317	\$5,062,189

The following table shows the changes of the net assets for the year ended June 30, 2004. A comparative analysis will be provided in future years when prior year information is available.

	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 188,757	\$ 290,650	\$ 479,407
General revenue:			
Property taxes	95,466		95,466
Licenses and permits	50,482		50,482
Intergovernmental	343,984		343,984
Fines and forfeits	5,211		5,211
Interest	4,227	94,989	99,216
Other fees	191,052		191,052
Rent	2,868		2,868
Other	28,299	63,867	92,166
Total revenue	910,346	449,506	1,359,852
Program Expenses			
Legislative	6,163		6,163
General government	245,736		245,736
Public safety	140,171		140,171
Public works	145,385		145,385
Library	53,730		53,730
Trash collection	164,485		164,485
Park	19,843		19,843
Water		509,979	509,979
Other	44,371		44,371
Total program expenses	819,884	509,979	1,329,863
Increase (decrease) in net assets			
before transfers	90,462	(60,473)	29,989
Transfers	(746)	746	
Change in net assets	89,716	(59,727)	29,989
Net assets beginning of year	1,138,156	3,894,044	5,032,200
Net assets end of year	<u>\$1,227,872</u>	<u>\$3,834,317</u>	<u>\$5,062,189</u>

Economic Indicators and Next Year's Budget

Once again anticipating further cuts in state-shared revenue, the Township has budgeted at a rate approximately 5 percent less than the prior fiscal year.

There will be a special assessment for fire protection for the next five years to cover the purchase of a rescue squad and frontline pumper. The equipment is being financed through National City Bank through an installment loan.

The Township underwent a state-ordered reassessment this year. This resulted in no major changes to the overall assessed value of the Township and thus no significant changes in property taxes are anticipated. As stated previously, the water is controlled by the City of Saginaw. We anticipate significant increases in the cost of water into the foreseeable future. These costs will be passed on to the customers. A major bridge construction project is on the horizon. This bridge will span the Flint River and replaces a historical bridge now located in the Morseville/Burt Road area.

Contacting the Township's Management

The financial report is intended to provide taxpayers, citizens and investors with a general overview of the Township's finances and the accountability for the money received. If you have any questions about this report or need additional information, please contact the Clerk's office.

Taymouth Township
Saginaw County, Michigan

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 837,876	\$ 351,517	\$1,189,393
Deposit with Saginaw County		3,116	3,116
Accounts receivable	49,421	66,191	115,612
Due from other governmental units	71,869		71,869
Special assessments receivable		1,152,757	1,152,757
Other assets		2,422	2,422
Capital assets - net	301,748	4,309,256	4,611,004
Total assets	1,260,914	5,885,259	7,146,173
Liabilities			
Accounts payable	13,192	10,942	24,134
Deposits payable	19,850		19,850
Noncurrent liabilities:			
Due within one year		145,000	145,000
Due in more than one year		1,895,000	1,895,000
Total liabilities	33,042	2,050,942	2,083,984
Net assets			
Invested in capital assets, net of related debt	301,748	2,269,256	2,571,004
Unrestricted	926,124	1,565,061	2,491,185
Total net assets	\$1,227,872	\$3,834,317	\$5,062,189

See accompanying notes.

Taymouth Township
Saginaw County, Michigan

Statement of Activities

Year ended June 30, 2004

		Program Revenues	Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Governmental Activities	Business-type Activities	Total
Expenses					
Functions/programs:					
Governmental activities:					
Legislative	\$ 6,163		\$ (6,163)		\$ (6,163)
General government	245,736		(245,736)		(245,736)
Public safety	140,171		(140,171)		(140,171)
Public works	145,385		(145,385)		(145,385)
Library	53,730	\$ 25,566	(28,164)		(28,164)
Trash collection	164,485	158,433	(6,052)		(6,052)
Park	19,843	3,054	(16,789)		(16,789)
Other	44,371		(44,371)		(44,371)
Other financing sources (uses):					
Insurance recovery and dividend		1,704	1,704		1,704
Operating transfer out	746		(746)		(746)
Total governmental activities	820,630	188,757	(631,873)		(631,873)
Business-type activities:					
Water	509,979	290,650		\$ (219,329)	(219,329)
Total business-type activities	509,979	290,650		(219,329)	(219,329)
Total government	\$1,330,609	\$479,407	(631,873)	(219,329)	(851,202)
General revenues:					
Property taxes, levied for general operations			95,466		95,466
Licenses and permits			50,482		50,482
Intergovernmental			343,984		343,984
Fines and forfeits			5,211		5,211
Interest			4,227	94,989	99,216
Services			191,052		191,052
Rent			2,868		2,868
Other			28,299	6,967	35,266
Transfers				746	746
Capital contributions				56,900	56,900
Total general revenue and transfers			721,589	159,602	881,191
Change in net assets			89,716	(59,727)	29,989
Net assets at beginning of year			1,138,156	3,894,044	5,032,200
Net assets at end of year			\$1,227,872	\$3,834,317	\$5,062,189

See accompanying notes.

Taymouth Township
Saginaw County, Michigan

Balance Sheet
Governmental Funds

June 30, 2004

	General	Trash Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$736,766	\$81,630	\$19,480	\$ 837,876
Accounts receivable	43,281		6,140	49,421
Due from other governmental units	54,251		17,618	71,869
Total assets	\$834,298	\$81,630	\$43,238	\$ 959,166
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 13,192			\$ 13,192
Deposits payable	18,850		\$ 1,000	19,850
Total liabilities	32,042		1,000	33,042
Fund balances:				
Unreserved - designated				
General fund	130,125			130,125
Special revenue			7,744	7,744
Unreserved - undesignated				
General fund	672,131			672,131
Special revenue		\$81,630	34,494	116,124
Total fund balances	802,256	81,630	42,238	926,124
Total liabilities and fund balances	\$834,298	\$81,630	\$43,238	\$ 959,166

Total governmental fund balances \$ 926,124

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the funds.

The cost of capital assets is 1,753,552

Accumulated depreciation is (1,451,804)

Net assets of governmental activities \$ 1,227,872

See accompanying notes.

Taymouth Township
Saginaw County, Michigan

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2004

	General	Trash Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 95,466	\$158,040		\$253,506
Licenses and permits	50,482			50,482
Intergovernmental	343,984		\$ 4,943	348,927
Fines and forfeits	5,211		17,745	22,956
Charges for services	191,052			191,052
Interest	4,227	393	89	4,709
Rent	2,868		4,845	7,713
Franchise fee				
Other	28,299		998	29,297
Total revenues	721,589	158,433	28,620	908,642
Expenditures				
Legislative	6,163			6,163
General government	229,704			229,704
Public safety	140,171			140,171
Public works	139,232	164,485		303,717
Recreation			68,552	68,552
Capital outlay	10,119		39	10,158
Other	44,371			44,371
Total expenditures	569,760	164,485	68,591	802,836
Excess of revenues over (under) expenditures	151,829	(6,052)	(39,971)	105,806
Other financing sources (uses)				
Insurance recovery and dividend	1,704			1,704
Operating transfers in (out)	(51,088)	215	50,127	(746)
Total other financing sources (uses)	(49,384)	215	50,127	958
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	102,445	(5,837)	10,156	106,764
Fund balances at beginning of year	699,811	87,467	32,082	819,360
Fund balances at end of year	\$802,256	\$ 81,630	\$42,238	\$926,124

See accompanying notes.

Taymouth Township
Saginaw County, Michigan

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Year ended June 30, 2004

Net change in fund balances - total governmental funds	\$ 106,764
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	(17,048)
Net change in net assets - government-wide statement of activities	<u>\$ 89,716</u>

See accompanying notes.

Taymouth Township
Saginaw County, Michigan

Statement of Net Assets
Proprietary Fund

June 30, 2004

	Proprietary Fund Type Water Fund
Assets	
Current assets:	
Cash	\$ 351,517
Deposit with Saginaw County	3,116
Accounts receivable	66,191
Total current assets	420,824
Special assessments receivable	1,152,757
Bond discount	2,422
Capital assets, net of accumulated depreciation	4,309,256
Total assets	5,885,259
Liabilities	
Current liabilities:	
Accounts payable	10,942
Current portion of long-term debt	145,000
Total current liabilities	155,942
Noncurrent liabilities:	
Bonds payable	1,895,000
Total liabilities	2,050,942
Net assets:	
Invested in capital assets, net of related debt	2,269,256
Unrestricted	1,565,061
Total net assets	\$3,834,317

See accompanying notes.

Taymouth Township
Saginaw County, Michigan

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2004

Operating revenues	
Charges for water services	\$ 281,345
Connection fees and meter charges	9,305
Other	6,967
Total operating revenue	<u>297,617</u>
Operating expenses	
Labor	48,629
Payroll taxes	4,672
Benefits	8,933
Cost of water	76,467
Travel	1,376
Operations and maintenance	25,673
Water line tap in expenses	11,990
County administrative fee	2,275
Depreciation	104,094
Supplies	1,527
Administrative expenses	3,633
Professional fees	2,680
Bond amortization	12,402
Other	5,046
Total operating expenses	<u>309,397</u>
Operating loss	(11,780)
Nonoperating revenue (expenses)	
Interest earned	94,989
Interest expense and paying agent fees	(200,582)
Total nonoperating revenue (expenses)	<u>(105,593)</u>
Loss before operating transfers and capital contributions	(117,373)
Capital contributions	56,900
Operating transfers in	746
Change in net assets	<u>(59,727)</u>
Net assets at beginning of year	3,894,044
Net assets at end of year	<u><u>\$3,834,317</u></u>

See accompanying notes.

Taymouth Township
Saginaw County, Michigan

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2004

Cash flows from operating activities

Receipts from customers	\$ 385,603
Payments to employees	(48,629)
Payments to suppliers	(139,714)
Net cash provided by operating activities	<u>197,260</u>

Cash flows from capital and related financing activities

Principal paid on bonds	(630,000)
Contributed capital	56,900
Interest and agent fees paid on bonds payable	(200,582)
Net cash used by capital and related financing activities	<u>(773,682)</u>

Cash flows from investing activities

Interest revenue	<u>94,989</u>
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Net decrease in cash	(481,433)
Cash at beginning of year	836,066
Cash at end of year	<u><u>\$ 354,633</u></u>

Cash reported on balance sheet

Cash	\$ 351,517
Deposit with Saginaw County	3,116
Total cash reported on statement of cash flows	<u><u>\$ 354,633</u></u>

Reconciliation of operating loss to net cash provided by operating activities

Operating loss	\$ (11,780)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	104,094
Operating transfers	746
Decrease (increase) in assets:	
Accounts receivable	(66,191)
Special assessments receivable	154,178
Bond discount	12,402
Increase in liabilities:	
Accounts payable	3,811
Net cash provided by operating activities	<u><u>\$ 197,260</u></u>

See accompanying notes.

Taymouth Township
Saginaw County, Michigan

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

Taymouth Township, Saginaw County, Michigan complies with accounting principles generally accepted in the United States of America. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, to the extent that those pronouncements do not conflict with or contradict GASB pronouncements. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Reporting Entity

Taymouth Township, Saginaw County, Michigan was organized in 1842 and covers an area of approximately thirty-six square miles. The Township operates under an elected Township Board (5 members) and provides services to its various residents in many areas, including health and sanitation, community enrichment and development and human services. In evaluating how to define the Township, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Based upon the application of these criteria, the financial statements of Taymouth Township, Saginaw County, Michigan contain all the funds and account groups controlled by the Township's Board as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Township.

Basic Financial Statements – Government-Wide Statements

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Fiduciary funds, such as the Tax Collections Fund, are excluded from government-wide financial statements, although the Township's Tax Collections Fund had no assets or liabilities as of June 30, 2004.

In the government-wide statement of net assets, the columns are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in two parts: invested in capital assets, net of related debt and unrestricted net assets.

**Taymouth Township
Saginaw County, Michigan**

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Basic Financial Statements – Government-Wide Statements (continued)

The government-wide statement of activities demonstrates the degree to which the direct expenses (including depreciation) of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

In creating the government-wide financial statements the Township has eliminated interfund transactions. This government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

Basic Financial Statements – Fund Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taymouth Township
Saginaw County, Michigan

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Township's proprietary funds relate to charges to customers for services. The water fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The Township reports the following major governmental funds:

General Fund

The General Fund is used to account for all financial transactions not accounted for in other funds, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Trash Fund

The Trash Fund is a special revenue fund that is used to record the activity of the Township's trash collection activities.

The Township reports the following major proprietary fund:

Taymouth Township
Saginaw County, Michigan

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Water Fund

The Water Fund is used to account for operations that provide water services to citizens, and is financed primarily by user charges or activities where the periodic measurement of net income is appropriate for capital maintenance, public policy, management control or accountability.

Additionally, the Township reports the following fund types:

Agency Fund – Current Tax Collections Fund

The Current Tax Collections Fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Current Tax Collections Fund is used to account for taxes collected as an agent for other governmental units.

Assets, Liabilities and Equity

Deposits and Investments

The Township's cash consists of cash on hand and checking and savings accounts.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township is also authorized to invest in investment pools managed by qualified financial institutions.

Accounts Receivable

The Township considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations in the period of uncollectibility.

Taymouth Township
Saginaw County, Michigan

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Equity (continued)

Interfund Receivables/Payables

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are stated at cost or, if donated, at estimated fair market value at the time of donation. Expenditures that materially extend the life of an asset are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of fixed assets is reflected in the capitalized value of the asset constructed.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water system	50 – 70 years
Buildings	30 – 50 years
Land improvements	15 – 20 years
Equipment	5 – 10 years
Vehicles	3 – 8 years

Total depreciation expense for the Township for the year ended June 30, 2004 was \$104,094 for business-type activities (the Water Fund) and \$17,048 for governmental activities.

Compensated Absences

No accrual has been recorded for unpaid sick and vacation time since the amount is immaterial to the financial statements of the Township at June 30, 2004.

Taymouth Township
Saginaw County, Michigan

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Equity (continued)

Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Fund Equity

Designations of unreserved fund balances in Governmental Funds indicate tentative plans for use of financial resources in a future period. Unreserved fund balances for Governmental Funds represent the amount available for budgeting future operations.

Use of Estimates

The process of preparing general purpose financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Budgets and Budgetary Policies

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end. The Township does not maintain a formalized encumbrance accounting system.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the General Fund budget is adopted by activity. In the special revenue funds, budgets are adopted at the functional level.

Taymouth Township
Saginaw County, Michigan

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Policies (continued)

2. A public hearing is conducted at a budget hearing to obtain citizens' comments.
3. Prior to July 1, the budget is legally adopted by a Township Board resolution pursuant to the uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. Any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all funds except the Tax Collections Fund, which is an agency fund.
6. The budget, as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.

2. Accounting Changes

On July 1, 2003, the Township adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34). GASB Statement No. 34 establishes the basic financial statements and required supplementary information for the Township. The information consists of:

- Management's discussion and analysis
- Government-wide financial statements
- Fund financial statements
- Notes to financial statements
- Required supplemental information

Taymouth Township
Saginaw County, Michigan

Notes to Financial Statements (continued)

2. Accounting Changes (continued)

In addition, this statement requires the government-wide financial statements to report all assets, liabilities, revenues, and expenses using the economic resources measurement focus and accrual basis of accounting. As a result of implementing GASB Statement No. 34 for the fiscal year ended June 30, 2004, the following reclassification was made to the beginning net assets for the following proprietary fund:

	<u>Water Fund</u>
Net assets – beginning of year as previously reported	\$ (406,091)
Adjustment to reflect the addition of contributed capital into unreserved fund balance	<u>4,300,135</u>
Net assets – beginning of year, after reclassification	<u>\$3,894,044</u>

3. Cash

At June 30, 2004, the book value of the Township's deposits was \$1,189,393 with a corresponding bank balance of \$1,198,359 of which \$175,168 was covered by Federal depository insurance and \$1,023,191 was uninsured and uncollateralized.

The Township places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are in the opinion of the Township subject to minimal risk.

Deposits are categorized into these three categories of credit risk:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uncollateralized.

	<u>Category</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>	<u>Value</u>
Cash	\$175,168		\$1,023,191	\$1,198,359	\$1,198,359

Taymouth Township
Saginaw County, Michigan

Notes to Financial Statements (continued)

4. Capital Assets

Capital asset activity of the Township's governmental activities for the year ended June 30, 2004 was as follows:

	<u>Balance July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 102,909			\$ 102,909
Capital assets being depreciated:				
Land improvements	187,716			187,716
Buildings	505,085			505,085
Equipment	957,842			957,842
Subtotal	<u>1,650,643</u>			<u>1,650,643</u>
Less accumulated depreciation for:				
Land improvements	164,952	\$ 1,256		166,208
Buildings	382,154	5,133		387,287
Equipment	887,650	10,659		898,309
Subtotal	<u>1,434,756</u>	<u>17,048</u>		<u>1,451,804</u>
Net capital assets being depreciated	<u>215,887</u>	<u>(17,048)</u>		<u>198,839</u>
Governmental activities capital assets - net	<u>\$ 318,796</u>	<u>\$(17,048)</u>	<u>-</u>	<u>\$ 301,748</u>

Taymouth Township
Saginaw County, Michigan

Notes to Financial Statements (continued)

4. Capital Assets (continued)

Capital asset activity of the Township's business-type activities for the year ended June 30, 2004 was as follows:

	<u>Balance July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
<u>Business-type Activities</u>				
Capital assets not being depreciated:				
Land				
Land improvements				
Subtotal				
Capital assets being depreciated:				
Water system	\$5,286,986			\$5,286,986
Vehicles	20,682			20,682
Subtotal	5,307,668			5,307,668
Less accumulated depreciation for:				
Water system	873,636	\$ 104,094		977,730
Vehicles	20,682			20,682
Subtotal	894,318	104,094		998,412
Net capital assets being depreciated	4,413,350	(104,094)		4,309,256
Business-type activities capital assets – net	\$4,413,350	\$(104,094)	–	\$4,309,256

Depreciation expense was charged to activities as follows:

Governmental activities:	
General government	\$ 5,913
Public works	6,153
Library	148
Park	4,834
Total governmental activities depreciation expense	<u>\$17,048</u>
Business-type activities:	
Water	<u>\$104,094</u>

Taymouth Township
Saginaw County, Michigan

Notes to Financial Statements (continued)

5. Property Taxes

The Township bills and collects its own taxes and taxes on behalf of Saginaw County and the school districts within the Township boundaries. Property taxes are levied and become a lien on each December 1 on the taxable valuation of property located in Taymouth Township as of the preceding December 31 and are due without penalty on or before February 28. The taxable assessed value of the certified roll on December 31, 2003, upon which the levy for the 2004 fiscal year was based, was \$79,532,848. The collection of property taxes and remittance to the proper authority are accounted for in the Current Tax Collections Fund. Property tax revenue levied in December is recognized as revenue for the year ended June 30, 2004.

The tax rate assessed for the year ending June 30, 2004 to finance General Fund operations was \$.9041 per \$1,000 valuation.

6. Risk Management

The Township is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance for risks to cover these losses. The Township also continues to carry commercial insurance for other risks of loss, including accident insurance.

7. Long-Term Debt

Long-term debt consists of general obligation bonds payable and recorded as a business-type activity within the Water Fund. At June 30, 2004, this debt consisted of the following:

\$950,000 bonds dated October 1, 1999, due in annual installments of \$10,000 to \$100,000 through May 1, 2019, bearing interest rates of 5.20% to 7.20% (Phase V)	\$ 905,000
\$190,000 bonds dated August 1, 2001, due in annual installments of \$5,000 to \$10,000 through May 1, 2021, bearing interest rates of 4.30% to 5.10% (Phase VI)	170,000
\$965,000 bonds dated April 28, 2004, due in annual installments of \$5,000 to \$135,000 through June 1, 2015, bearing an interest rate of 3.55%	965,000
Total bonds payable	<u>\$2,040,000</u>

Taymouth Township
Saginaw County, Michigan

Notes to Financial Statements (continued)

7. Long-Term Debt (continued)

A summary of changes in debt follows:

	<u>Balance July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
Phase I	\$ 255,000		\$ 255,000	
Phase II	390,000		390,000	
Phase III	855,000		855,000	
Phase IV	65,000		65,000	
Phase V	925,000		20,000	\$ 905,000
Phase VI	180,000		10,000	170,000
Refunding		\$965,000		965,000
Total	<u>\$2,670,000</u>	<u>\$965,000</u>	<u>\$1,595,000</u>	<u>\$2,040,000</u>

Annual aggregate maturities of the Water Fund for the years subsequent to June 30, 2004 are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 145,000	\$ 91,015
2006	145,000	84,880
2007	160,000	78,656
2008	180,000	71,269
2009	180,000	63,615
2010-2014	675,000	216,282
2015-2019	535,000	89,349
2020-2024	20,000	1,530
Total	<u>\$2,040,000</u>	<u>\$696,596</u>

Total interest expense for the Township for the year ended June 30, 2004 was \$200,582.

Taymouth Township
Saginaw County, Michigan

Notes to Financial Statements (continued)

8. Designated Fund Balance

Fund balance designated in the General Fund and Special Revenue Funds at June 30, 2004 is as follows:

	General Fund	Special Revenue – Library Fund	Total
Fire Department future equipment	\$105,044		\$105,044
Road and bridge repair	25,081		25,081
Unspent grant revenue		\$7,744	7,744
	<u>\$130,125</u>	<u>\$7,744</u>	<u>\$137,869</u>

9. Excess of Expenditures Over Appropriations in Budgetary Funds

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the activity and line item levels.

During the year ended June 30, 2004, the Township did not incur any expenditures in excess of the amounts appropriated, except as noted below:

	Amended Budget	Actual	Variance
General Fund – miscellaneous expense	\$7,810	\$8,527	\$(717)

10. Segment Information for Proprietary Fund

The Township maintains one Proprietary Fund which provides water services. Segment information for the year ended June 30, 2004 for the Water Fund was as follows:

Operating revenue	\$ 297,617
Depreciation	104,093
Operating loss	(11,780)
Operating transfers in	746
Capital contributions	56,900
Change in net assets	(59,727)
Net working capital	264,882
Total assets	5,885,259
Bonds payable	2,040,000
Total equity	3,834,317

Taymouth Township
Saginaw County, Michigan

Notes to Financial Statements (continued)

11. Building Inspection Department

P. A. 245 of 1999 allows local units to continue to account for enforcing agency activities within the general fund as long as the local unit's fee structure is not intended to recover the full cost of the enforcing agency and the local unit has the ability to track the full costs and revenues of this activity without creating a separate fund.

During the fiscal year ended June 30, 2004, the enforcing agency collected the following fees and incurred the following expenditures:

Revenues	
Charges for services	\$ 43,867
Expenditures	
Wages	47,282
Payroll taxes	4,721
Education and training	437
Supplies	715
Travel	41
Membership/dues expense	255
Telephone	711
Legal	1,046
Engineering	9,971
Miscellaneous	190
	<hr/> 65,369
Net loss	<hr/> \$(21,502)

12. Retirement Plan

The Township has a deferred compensation plan that was established by the Michigan Township Association. The plan is administered by ING and covers substantially all full and part-time employees. The employer matches dollar for dollar of employee contributions up to \$300. For the year ended June 30, 2004, employee contributions were \$25,945 and employer contributions were \$4,200. Benefits attributable to employee and employer contributions are 100% vested.

Required Supplemental Information

Taymouth Township
Saginaw County, Michigan

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes:				
Current tax levy	\$ 73,122	\$ 73,122	\$ 71,658	\$ (1,464)
Property tax administration fees	25,061	25,061	23,808	(1,253)
Total taxes	98,183	98,183	95,466	(2,717)
Licenses and permits:				
Building permits	36,850	36,850	43,867	7,017
Trailer fees	3,000	3,000	2,559	(441)
Land division application fee	500	500	600	100
Dog license	40	40	40	
Planning and zoning	3,375	3,375	3,031	(344)
Liquor license fee	385	385	385	
Total licenses and permits	44,150	44,150	50,482	6,332
Intergovernmental:				
State sales tax	292,369	292,369	309,632	17,263
State income tax	47,652	47,652	29,053	(18,599)
Metro fees	5,000	5,000	5,299	299
Total intergovernmental	345,021	345,021	343,984	(1,037)
Fines and forfeits	20,500	20,500	5,211	(15,289)
Charges for services:				
Security guard	400	400	510	110
Host agreement	185,000	185,000	171,067	(13,933)
Sale of cemetery lots	4,000	4,000	7,000	3,000
Grave openings/closings	6,500	6,500	12,475	5,975
Total charges for services	195,900	195,900	191,052	(4,848)
Interest	5,000	5,000	4,227	(773)
Rent	3,467	3,467	2,868	(599)
Other	10,650	10,650	28,299	17,649
Total revenues	722,871	722,871	721,589	(1,282)
Expenditures (Schedule of General Fund Expenditures)	743,649	804,678	569,760	(234,918)
Excess of revenues over (under) expenditures	(20,778)	(81,807)	151,829	233,636
Other financing sources (uses)				
Insurance recovery and dividend	2,000	2,000	1,704	(296)
Operating transfers in (out)	(49,243)	(49,243)	(51,088)	(1,845)
Total other financing sources (uses)	(47,243)	(47,243)	(49,384)	(2,141)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(68,021)	(129,050)	102,445	231,495
Fund balance at beginning of year	699,811	699,811	699,811	
Fund balance at end of year	\$631,790	\$570,761	\$802,256	\$ 231,495

Taymouth Township
Saginaw County, Michigan

General Fund
Schedule of General Fund Expenditures

Year ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Legislative:				
Township Board	\$ 7,317	\$ 7,317	\$ 6,163	\$ 1,154
General government:				
Supervisor	21,713	22,190	21,802	388
General service	64,827	71,300	62,007	9,293
Clerk	27,390	28,920	26,152	2,768
Elections	3,000	3,125		3,125
Assessor	77,939	84,583	56,092	28,491
Treasurer	25,190	25,925	25,365	560
Board of Review	1,800	1,800	565	1,235
Community center	13,400	15,415	8,404	7,011
Cemeteries	21,750	36,660	26,775	9,885
Environmental committee	548	548		548
Opera house	3,455	2,858	2,542	316
Total general government	261,012	293,324	229,704	63,620
Public safety:				
Fire department	88,290	94,510	73,086	21,424
Central dispatch	1,800	1,800	1,716	84
Inspection department	80,880	92,105	65,369	26,736
Total public safety	170,970	188,415	140,171	48,244
Public works:				
Department of Public Works	222,900	224,933	139,232	85,701
Capital outlay:				
General government	8,850	10,175	2,898	7,277
Public safety	30,000	30,150	4,686	25,464
Public works	1,500	2,550	2,535	15
Total capital outlay	40,350	42,875	10,119	32,756
Other:				
Workers compensation	4,000	5,800	5,793	7
Fire department cost recovery	1,500	1,704		1,704
Trailer park fees	2,500	2,500	1,973	527
Insurance	30,000	30,000	28,078	1,922
Miscellaneous	3,100	7,810	8,527	(717)
Total other	41,100	47,814	44,371	3,443
Total expenditures	\$743,649	\$804,678	\$569,760	\$234,918

Taymouth Township
Saginaw County, Michigan

Trash Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$156,396	\$156,396	\$158,040	\$1,644
Interest	1,000	1,000	393	(607)
Total revenues	157,396	157,396	158,433	1,037
Expenditures				
Public works:				
Garbage collection	172,952	172,952	164,485	8,467
Capital outlay	50	50		50
Total expenditures	173,002	173,002	164,485	8,517
Excess of revenues over (under) expenditures	(15,606)	(15,606)	(6,052)	9,554
Other financing sources (uses)				
Operating transfers in			215	215
Excess of revenues and other financing sources over (under) expenditures and other financing sources	(15,606)	(15,606)	(5,837)	9,769
	87,467	87,467	87,467	
Fund balance at end of year	\$ 71,861	\$ 71,861	\$ 81,630	\$9,769

Other Supplemental Information

Taymouth Township
Saginaw County, Michigan

Special Revenue Funds
Combining Balance Sheet

June 30, 2004

	Library	Trash	Park	Total
Assets				
Cash	\$ 9,361	\$81,630	\$10,119	\$101,110
Accounts receivable			6,140	6,140
Due from other governmental units	17,618			17,618
Total assets	<u>\$26,979</u>	<u>\$81,630</u>	<u>\$16,259</u>	<u>\$124,868</u>
 Liabilities and fund balances				
Liabilities:				
Accounts payable			\$ 1,000	\$ 1,000
Deposits payable			1,000	1,000
Total liabilities				
 Fund balance:				
Unreserved - designated	\$ 7,744			7,744
Unreserved - undesignated	19,235	\$81,630	15,259	116,124
Total fund balances	<u>26,979</u>	<u>81,630</u>	<u>15,259</u>	<u>123,868</u>
Total liabilities and fund balances	<u>\$26,979</u>	<u>\$81,630</u>	<u>\$16,259</u>	<u>\$124,868</u>

Taymouth Township
Saginaw County, Michigan
Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year ended June 30, 2004

	Library	Trash	Park	Total
Revenues				
Taxes		\$158,040		\$158,040
Intergovernmental	\$ 4,943			4,943
Fines and forfeits	17,745			17,745
Interest	69	393	\$ 20	482
Rents	1,773		3,072	4,845
Other	1,036		(38)	998
Total revenues	25,566	158,433	3,054	187,053
Expenditures				
Public works:				
Trash collection		164,485		164,485
Recreation and cultural:				
Parks			14,970	14,970
Library	53,582			53,582
Capital outlay			39	39
Total expenditures	53,582	164,485	15,009	233,076
Excess of revenues under expenditures	(28,016)	(6,052)	(11,955)	(46,023)
Other financing sources (uses)				
Operating transfers in	29,506	215	20,621	50,342
Excess of revenues and other financing sources over (under) expenditures and other financing sources	1,490	(5,837)	8,666	4,319
Fund balances at beginning of year	25,489	87,467	6,593	119,549
Fund balances at end of year	\$ 26,979	\$ 81,630	\$ 15,259	\$123,868

Taymouth Township
Saginaw County, Michigan

Statement of Changes in Assets and Liabilities
Current Tax Collections Fund

Year ended June 30, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	-	\$1,875,866	\$1,875,866	-
Liabilities				
Due to other funds		\$ 398,065	\$ 398,065	
Due to other taxing units		1,477,801	1,477,801	
Total liabilities	-	\$1,875,866	\$1,875,866	-

Taymouth Township
Saginaw County, Michigan

Detail of Indebtedness

June 30, 2004

<u>Name of Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Amount of Annual Maturity June 30, 2003</u>	<u>Amount of Annual Maturity June 30, 2004</u>	<u>Annual Interest Payment</u>
Phase I	February 1, 1992	\$530,000	6.30%	6/1/2004	\$ 25,000		
			6.40%	6/1/2005	25,000		
			6.50%	6/1/2006	25,000		
			6.60%	6/1/2007	30,000		
			6.70%	6/1/2008	30,000		
			6.70%	6/1/2009	30,000		
			6.75%	6/1/2010	30,000		
			6.75%	6/1/2011	30,000		
			6.75%	6/1/2012	30,000		
					<u>\$255,000</u>	<u>-</u>	<u>-</u>

Taymouth Township
Saginaw County, Michigan
Detail of Indebtedness (continued)

June 30, 2004

Name of Issue	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Amount of Annual Maturity June 30, 2003	Amount of Annual Maturity June 30, 2004	Annual Interest Payment
Phase II	September 1, 1992	\$755,000	6.00%	6/1/2004	\$ 40,000		
			6.10%	6/1/2005	40,000		
			6.20%	6/1/2006	40,000		
			6.20%	6/1/2007	40,000		
			6.20%	6/1/2008	45,000		
			6.20%	6/1/2009	45,000		
			6.20%	6/1/2010	45,000		
			6.20%	6/1/2011	45,000		
			6.20%	6/1/2012	50,000		
					<u>\$390,000</u>	<u>-</u>	<u>-</u>

Taymouth Township
Saginaw County, Michigan
Detail of Indebtedness (continued)
June 30, 2004

Name of Issue	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Amount of Annual Maturity June 30, 2003	Amount of Annual Maturity June 30, 2004	Annual Interest Payment
Phase III	August 1, 1993	\$1,430,000	5.10%	6/1/2004	\$ 75,000		
			5.20%	6/1/2005	75,000		
			5.25%	6/1/2006	75,000		
			5.30%	6/1/2007	75,000		
			5.40%	6/1/2008	100,000		
			5.50%	6/1/2009	100,000		
			5.50%	6/1/2010	100,000		
			5.55%	6/1/2011	100,000		
			5.55%	6/1/2012	100,000		
			5.60%	6/1/2013	55,000		
					\$855,000	-	-

Taymouth Township
Saginaw County, Michigan

Detail of Indebtedness (continued)

June 30, 2004

Name of Issue	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Amount of Annual Maturity June 30, 2003	Amount of Annual Maturity June 30, 2004	Annual Interest Payment
Phase IV	April 1, 1995	\$105,000	5.60%	6/1/2004	\$ 5,000		
			5.70%	6/1/2005	5,000		
			5.80%	6/1/2006	5,000		
			5.85%	6/1/2007	5,000		
			5.90%	6/1/2008	5,000		
			5.95%	6/1/2009	5,000		
			6.00%	6/1/2010	5,000		
			6.05%	6/1/2011	5,000		
			6.10%	6/1/2012	5,000		
			6.15%	6/1/2013	5,000		
			6.20%	6/1/2014	5,000		
			6.20%	6/1/2015	10,000		
			\$65,000	-	-		

Taymouth Township
Saginaw County, Michigan
Detail of Indebtedness (continued)
June 30, 2004

Name of Issue	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Amount of Annual Maturity June 30, 2003	Amount of Annual Maturity June 30, 2004	Annual Interest Payment
Phase V	October 1, 1999	\$950,000	7.20%	5/1/2004	\$ 20,000		
			7.20%	5/1/2005	25,000	\$ 25,000	\$ 50,820
			7.20%	5/1/2006	25,000	25,000	49,020
			7.20%	5/1/2007	35,000	35,000	47,220
			7.20%	5/1/2008	35,000	35,000	44,700
			7.20%	5/1/2009	40,000	40,000	42,180
			6.60%	5/1/2010	40,000	40,000	39,300
			5.20%	5/1/2011	45,000	45,000	36,660
			5.20%	5/1/2012	50,000	50,000	34,320
			5.20%	5/1/2013	55,000	55,000	31,720
			5.20%	5/1/2014	75,000	75,000	28,860
			5.20%	5/1/2015	85,000	85,000	24,960
			5.20%	5/1/2016	95,000	95,000	20,540
			5.20%	5/1/2017	100,000	100,000	15,600
			5.20%	5/1/2018	100,000	100,000	10,400
			5.20%	5/1/2019	100,000	100,000	5,200
					\$925,000	\$905,000	\$481,500

Taymouth Township
Saginaw County, Michigan

Detail of Indebtedness (continued)

June 30, 2004

Name of Issue	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Amount of Annual Maturity June 30, 2003	Amount of Annual Maturity June 30, 2004	Annual Interest Payment
Phase VI	August 1, 2001	\$190,000	4.30%	5/1/2004	\$ 10,000		
			4.30%	5/1/2005	10,000	\$ 10,000	\$ 7,890
			4.30%	5/1/2006	10,000	10,000	7,460
			4.30%	5/1/2007	10,000	10,000	7,030
			4.30%	5/1/2008	10,000	10,000	6,600
			4.30%	5/1/2009	10,000	10,000	6,170
			4.30%	5/1/2010	10,000	10,000	5,740
			4.40%	5/1/2011	10,000	10,000	5,310
			4.50%	5/1/2012	10,000	10,000	4,870
			4.60%	5/1/2013	10,000	10,000	4,420
			4.70%	5/1/2014	10,000	10,000	3,960
			4.80%	5/1/2015	10,000	10,000	3,490
			4.90%	5/1/2016	10,000	10,000	3,010
			5.00%	5/1/2017	10,000	10,000	2,520
			5.00%	5/1/2018	10,000	10,000	2,020
			5.00%	5/1/2019	10,000	10,000	1,520
			5.10%	5/1/2020	10,000	10,000	1,020
			5.10%	5/1/2021	10,000	10,000	510
					<u>\$180,000</u>	<u>\$170,000</u>	<u>\$73,540</u>

Taymouth Township
Saginaw County, Michigan
Detail of Indebtedness (continued)
June 30, 2004

Name of Issue	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Amount of Annual Maturity June 30, 2003	Amount of Annual Maturity June 30, 2004	Annual Interest Payment
Refunding bond Phases I-IV	April 28, 2004	\$965,000	3.55%	6/1/2005		\$110,000	\$ 32,305
			3.55%	6/1/2006		110,000	28,400
			3.55%	6/1/2007		115,000	24,406
			3.55%	6/1/2008		135,000	19,969
			3.55%	6/1/2009		130,000	15,265
			3.55%	6/1/2010		125,000	10,739
			3.55%	6/1/2011		105,000	6,656
			3.55%	6/1/2012		110,000	2,840
			3.55%	6/1/2013		15,000	621
			3.55%	6/1/2014		5,000	266
			3.55%	6/1/2015		5,000	89
					-	\$965,000	\$141,556



ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

To the Township Board
Township of Taymouth

In planning and performing our audit of the financial statements of the Township of Taymouth for the year ended June 30, 2004 we considered the Township's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls.

The attached suggestions are submitted to assist in improving procedures and controls.

This report is intended solely for the information and use of the Township Board and management of the Township and is not intended to be and should not be used by anyone other than those specified parties.

We would be pleased to discuss the following matters or to respond to any questions, at your convenience.

Andrews Hooper & Pavlik P.L.C.

Bay City, Michigan
August 9, 2004

Current Year Recommendations

Antifraud Programs and Controls as highlighted in Statement of Auditing Standards No. 99, Consideration of Fraud in a Financial Statements Audit

Although the Township has a system of internal controls that addresses the prevention of material misstatements, whether caused by error or fraud, separate controls related specifically to fraud have not been formally implemented. We noted this condition as part of our overall review of the Township's internal control. Although separate antifraud controls are not formally required, they are considered good practice. Statement of Auditing Standards No. 99, *Consideration of Fraud in a Financial Statements Audit*, includes a document commissioned by the Fraud Task Force of the AICPA's Auditing Standards Board titled, "Management Antifraud Programs and Controls." This document outlines a framework for an entity's management to implement measures to reduce the incidence of fraud.

While the Township's current system of internal control includes policies and procedures that can help reduce the risk of incidences of fraud, we recommend that the Township adopt a formal fraud risk assessment process. This process starts with consideration of the culture of honesty and high ethics within the Township. Cultures of honesty and high ethics clearly communicate acceptable behavior and expectations of each employee. Such a culture is rooted in a strong set of core values that provide the foundation for employees as to how the organization conducts its business. It also allows an entity to develop an ethical framework that covers (1) fraudulent financial reporting, (2) misappropriation of assets, and (3) corruption as well as other issues. Maintaining this culture requires that the Township monitor the following:

1. Tone at the top.
2. Maintenance of a positive workplace environment.
3. Hiring and promoting appropriate employees.
4. Training about the Township's values and its code of conduct.
5. Confirmation that all employees will be held accountable to act within the Township's code of conduct.
6. Discipline system as to the way the Township communicates the way it reacts to incidents of alleged or suspected fraud, including expectations about the consequences of committing fraud.

Neither fraudulent financial reporting nor misappropriation of assets can occur without a perceived opportunity to commit and conceal the act. Townships can proactively reduce the risk of fraud opportunities by:

1. Identifying and measuring fraud risks.
2. Taking steps to mitigate identified risks.
3. Implementing and monitoring appropriate preventive and detective internal controls and other deterrent measures.

As mentioned above, while a portion of the Township's existing internal controls contribute to the antifraud objectives discussed in our recommendation, establishing an ongoing, formal antifraud program could further strengthen the Township's existing internal controls for preventing and detecting material misstatements on a timely basis. Such a program would include a fraud policy.

E-mail and Electronic Recording

It is essential that government agencies appropriately manage their electronic records, including e-mail. Like all other government records, electronic records and e-mail is subject to Freedom of Information Act (FOIA) requests and litigation. Agencies can be held liable if they keep their e-mail messages too long, if their e-mail messages are not properly destroyed, or if they are destroyed too soon. The State of Michigan has published two guides, one for electronic records generally and the other for electronic mail. We recommend that the Township review these guides and compare its current policies and procedures with those suggested by the State of Michigan guides in order to evaluate whether any changes in current policies may be required.

Summary of Applicable Prior Year Recommendations

These comments are included as a reminder of our prior year recommendations.

Cash Disbursement Controls

We noted that the Township has a policy that requires two signatures on each check written, but the checks do not state that two signatures are required. We recommend that "two signatures are required" or other applicable wording be printed on the checks.

Vacation and Sick Time Policies

We noted that the Township has no written vacation and sick time policies, although based on our inquiries these policies are generally understood. We recommend a written vacation and sick time policy be prepared and distributed to all applicable Township employees or included as part of the Township's existing personnel manual.

Internal Controls and Separation of Duties

One of the key features of a strong internal control structure is adequate separation of duties as they relate to functions that are generally considered incompatible. The basic premise is that no one employee should have access to both the physical assets and the relating accounting records or to all phases of the transaction. However, we recognize that the limited number of staff in smaller municipalities often prohibits an optimum, cost-effective separation of duties. Although the size of the Township's staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties.

Financial Oversight. The general limitations on separation of duties in any smaller municipalities like the Township of Taymouth requires that the Township Board continue to remain involved in the financial affairs of the Township through oversight of operations, development of the Township budget, inquiries about variances between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. Based on our inquiries, the Township Board performs these duties and our comment here is intended to emphasize the importance of the Township Board's financial oversight role.